



Senate

General Assembly

File No. 203

February Session, 2006

Substitute Senate Bill No. 542

Senate, March 29, 2006

The Committee on Planning and Development reported through SEN. COLEMAN of the 2nd Dist., Chairperson of the Committee on the part of the Senate, that the substitute bill ought to pass.

AN ACT AUTHORIZING TWO OR MORE MUNICIPALITIES TO JOINTLY IMPOSE A SALES TAX.

Be it enacted by the Senate and House of Representatives in General Assembly convened:

1 Section 1. (NEW) (*Effective October 1, 2006*) (a) Any two or more
2 municipalities that are members of a regional council of governments
3 established under sections 4-124i to 4-124p, inclusive, of the general
4 statutes, may jointly enter into an agreement to impose a sales tax in
5 each such municipality of not more than one-quarter of one per cent of
6 the gross receipts from sales within the meaning of subdivision (2) of
7 subsection (a) of section 12-407 of the 2006 supplement to the general
8 statutes. The agreement shall be prepared pursuant to negotiations and
9 shall contain all provisions on which there is mutual agreement
10 between the municipalities. The agreement shall (1) include
11 procedures for collection which shall be consistent with the collection
12 of state sales tax, and (2) establish procedures for amendment,
13 termination and withdrawal. The negotiations shall include an
14 opportunity for public participation. The legislative body of each

15 participating municipality shall conduct a public hearing on the
 16 agreement and may approve the agreement by resolution of the
 17 legislative body. The agreement shall not be effective until approved
 18 by each participating municipality. As used in this section "legislative
 19 body" means the council, commission, board, body or town meeting,
 20 by whatever name it may be known, having or exercising the general
 21 legislative powers and functions of a municipality and "municipality"
 22 means any town, city or borough, consolidated town and city or
 23 consolidated town and borough.

24 (b) Any revenue received pursuant to an agreement under
 25 subsection (a) of this section shall be used for activities undertaken
 26 jointly by the municipalities that are party to the agreement.

27 Sec. 2. (NEW) (*Effective October 1, 2006*) The Commissioner of
 28 Revenue Services and the municipalities party to an agreement to
 29 impose a sales tax under section 1 of this act shall enter into a
 30 memorandum of understanding to facilitate collection of the tax and
 31 allocation to such municipalities.

This act shall take effect as follows and shall amend the following sections:		
Section 1	<i>October 1, 2006</i>	New section
Sec. 2	<i>October 1, 2006</i>	New section

PD *Joint Favorable Subst.*

The following fiscal impact statement and bill analysis are prepared for the benefit of members of the General Assembly, solely for the purpose of information, summarization, and explanation, and do not represent the intent of the General Assembly or either House thereof for any purpose:

OFA Fiscal Note

State Impact:

Agency Affected	Fund-Effect	FY 07 \$	FY 08 \$
Department of Revenue Services	GF - Cost	1,000,000	0
Department of Revenue Services	GF - Cost	100,000	100,000

Note: GF=General Fund

Municipal Impact:

Municipalities	Effect	FY 07 \$	FY 08 \$
All Municipalities	Revenue Gain	Potential Significant	Potential Significant

Explanation

State Impact

The bill is estimated to result in a significant one time cost to the Department of Revenue Services (DRS) of as much as \$1 million in FY 07. The bill is also anticipated to result in an ongoing cost to DRS of \$100,000 per year.

The bill allows two or more municipalities to enter into an agreement to impose a sales tax in each such municipality. The bill requires DRS to facilitate in the tax collection and subsequent allocation of collected funds to municipalities which have entered into such an agreement.

It is anticipated that in order for DRS to implement such a system significant changes to the Integrated Tax Administration System (ITAS) would be needed. Such changes would require the use of an outside vendor and an implementation period before the system is operational. These changes are estimated to cost as much as \$1 million.

In addition to the changes to ITAS, DRS is expected to need two

additional employees, with an estimated cost of \$100,000 annually. These new employees would be needed to enforce and ensure the collection of the municipal portion of the Sales and Use Tax.

Municipal Impact

To the extent that municipalities decide to raise the sales tax in their municipality, revenue to the municipalities will increase. If all municipalities in the state decided to raise the sales tax in their municipality $\frac{1}{4}$ of 1%, the estimated revenue to all municipalities would be \$140 million per year.

The Out Years

The annualized ongoing fiscal impact identified above would continue into the future subject to inflation.

OLR Bill Analysis
sSB 542

AN ACT AUTHORIZING TWO OR MORE MUNICIPALITIES TO JOINTLY IMPOSE A SALES TAX.

SUMMARY:

This bill allows two or more municipalities that are members of a regional council of governments (COGs) to agree to impose a sales tax surcharge in each such municipality of up to 0.25% on the gross sales receipts (presumably on sales within the participating municipalities). The agreement must be prepared pursuant to negotiations and contain all provisions on which the municipalities agree. The bill specifies what must be covered by the agreement.

The negotiations must include an opportunity for public participation. The legislative body of each municipality (1) must hold a public hearing on the agreement and (2) may approve the agreement by resolution. The agreement is not effective until approved by each participating municipality. Any revenue received under the agreement must be used for activities undertaken jointly by the agreeing municipalities.

Under the bill, a municipality is a town, city, or borough, consolidated town and city, or consolidated town and borough. The legislative body is the council, commission, board, body, or town meeting having or exercising the municipality's general legislative powers and functions.

The commissioner of revenue services and the municipalities must enter into a memorandum of understanding to facilitate collection of the tax surcharge and its allocation to the municipalities.

EFFECTIVE DATE: October 1, 2006

Agreement Provisions

Under the bill, the agreement must (1) include collection procedures, which must be consistent state sales tax collection procedures, and (2) establish amendment, termination, and withdrawal procedures.

BACKGROUND**COGs**

COGs are one of three types of regional planning organizations in the state. There are eight COGs: Capital Region COG, COG of the Central Naugatuck Valley, Northeastern Connecticut COG, Northwestern Connecticut COG, South Central COG, Southeastern Connecticut COG, Valley COG, and Windham Region COG. Other parts of the state have councils of elected officials or regional planning agencies as their regional planning organizations.

COMMITTEE ACTION

Planning and Development Committee

Joint Favorable Substitute

Yea 17 Nay 0 (03/17/2006)